LET'S TALK MONEY®
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Understanding QLAC QUALIFIED LONGEVITY ANNUITY CONTRACT

A Qualified Longevity Annuity Contract (QLAC)* is a type of deferred annuity purchased with funds from a qualified retirement plan or individual retirement account. It is designed to provide guaranteed income later in life. A QLAC may help a retiree remain in a lower tax bracket by reducing the balance in a retirement account used to calculate required minimum distributions (RMDs).

How It Works

Secure 2.0 allows an individual to move up to $200,000 from a qualified retirement plan or IRA into a QLAC. The buyer purchases an annuity contract either with a lump sum payment or a series of premiums. Taxes are deferred until payments begin. Payments must start by the annuitant's 85th birthday, which is also when RMDs kick in. Payments are taxed at regular income tax rates.

Three Options

QLAC purchasers generally have three options to choose from.

- Payments end when the annuity owner dies.
- Payments stop after the death of the owner and a spouse (joint life QLAC).
- The plan pays a refund to a designated beneficiary.

The second two options will result in lower monthly annuity payments. Buyers can also add cost-of-living adjustments to their contracts.

Laddering QLACs

Purchasing a series of smaller QLACs over several years can help manage the risk that growth will be locked in at a fixed rate. Laddering can provide an advantage if interest rates rise.

QLACs may or may not be right for you, so before purchasing a QLAC, check the ratings of the issuing company and consult your financial professional.

**Annuity products are not FDIC-insured, and their guarantees are backed solely by the claims-paying ability of their issuing life insurance company.*

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Inflation and Your Tax Bill

Inflation is measured by changes over time in the price of a fixed basket of goods and services that represent the everyday purchases of U.S. households. Each year, the IRS makes adjustments for inflation to certain items used to prepare your income tax return.

These items include income-tax brackets, standard deductions, capital gains income thresholds, the earned income tax credit, and retirement plan and IRA contribution limits, among others. All are adjusted to reflect inflation during the previous year, based on the Chained Consumer Price Index for All Urban Consumers (Chained CPI-U).

But some items that can have an impact on your tax bill are not adjusted for inflation.

Social Security Benefits

Although Social Security benefits generally receive a cost-of-living adjustment each year, the income thresholds at which benefits are taxed have remained the same: $25,000 for single filers and $32,000 for married taxpayers filing jointly. Depending on your income, up to 85% of your benefits could be taxed.

Home Sale Tax Exclusion

The amount of gain on a home sale that can be excluded from tax remains at $250,000 for single filers and $500,000 for married joint filers, despite increases in housing prices. You must have lived in your home for at least two of the last five years before the sale to claim the exclusion and haven't claimed an exclusion in the previous two years.

Surtax on Investment Income for High Income Individuals

A surcharge of 3.8% on net investment income, such as dividends, interest, and capital gain, applies to single filers with modified AGI over $200,000, and married joint filers with modified AGI over $250,000. In addition, the 0.9% surtax on earned income, including wages and self-employment income, is not inflation adjusted.

Your tax professional can help you make the most of any deductions and credits you may qualify for that can lower your tax bill.

A Financial Wellness Checkup

How are your finances doing? If you're not sure, it may be time to take steps to assess your financial health.

Find your net worth. Net worth is what you own — savings, investments, cars, property, valuables — minus what you owe — loans, credit card balances, car payments, mortgage, etc. The result is your net worth.

Review your budget. See where your money is going and make adjustments.

Start an emergency fund. Set aside money from each paycheck for unexpected expenses.

Contribute to a retirement plan. Join an employer's plan or open an IRA.

Don’t Put Off “The Talk”

How much have your parents shared with you about their finances and estate plan? It’s a difficult subject for most families. Parents often don’t want to discuss their personal finances, and adult children may be reluctant to initiate the conversation. Even when parents are active and in good health, it’s important for children to have information about their financial situation and the plans they have in place.

A Beginning

Although not a comprehensive list, parents should share the following information with their adult children:

- ❖ Estate planning documents, including wills, powers of attorney for finances and health care, and any trusts they’ve created
- ❖ Names, contact information and account numbers for financial institutions, brokerage firms and insurance companies
- ❖ Information on retirement and investment accounts, pensions and annuities
- ❖ Contact information for their attorney, financial advisor and accountant/tax preparer
- ❖ Loans or other outstanding debts
- ❖ A list of credit cards with account numbers
- ❖ Location of safe deposit box and keys
- ❖ Logins and passwords for all accounts (including social media)
- ❖ Vehicle titles/registration/insurance
- ❖ Location of deeds to property and cemetery plots
- ❖ Funeral arrangements and/or final wishes

It’s Time to Ask

When parents aren’t forthcoming about their situation, adult children may have to take the first step. Framing the discussion around something you’re doing, such as making your own will or designating a power of attorney, can get the conversation started. Asking their advice on some aspect of finances or investing may encourage parents to share their financial information.

Assess Their Abilities

Keeping in touch with parents is the best way for adult children to pick up on any decline in their ability to handle their finances. If you’re concerned, offer to help with financial tasks, such as banking, investing and paying bills. Monitoring their accounts online can help protect them from fraud and scammers.

Understanding APR

If you apply for a loan or open a savings or investment account that pays interest, the documents you sign will include the annual percentage rate, or APR. APR is the yearly interest rate charged for borrowing money or the annual interest rate earned on an investment.

The APR offered to a borrower will depend on several factors, including competing rates offered in the market, the prime rate set by the central bank, and the borrower’s credit score. Typically, borrowers with the highest credit scores are offered the best rates.

APR may be fixed or variable. A fixed APR loan has an interest rate that’s guaranteed not to change over the term of the loan. A variable APR may change at any time. Lenders may charge different rates for purchases, balance transfers and cash advances.

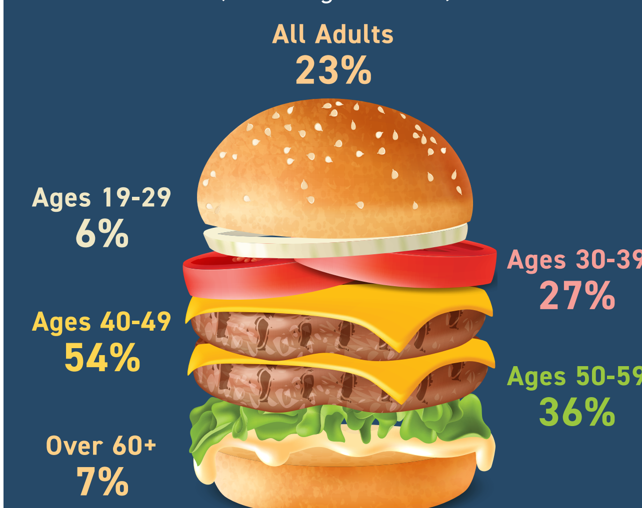
Consumers can use APR to compare lenders, credit cards or investment products. Do your research to find the best rates.

Welcome to the Sandwich Generation

Approximately one quarter of U.S. adults are members of the “sandwich generation” — individuals who have parents older than 65 and who either are raising at least one child younger than 18 or have provided financial support to an adult child.* Adults in their 40s are the most likely to be part of the sandwich generation.

THE SANDWICH GENERATION

(Percentage of adults)



**Source: Pew Research Center, Survey of U.S. adults conducted October 18-24, 2021*

Estate Planning Basics: Financial Power of Attorney

You probably know that your most important estate planning document is your will. Your will specifies how you want your property distributed after your death and names a guardian for any minor children you have. But there are other documents you should consider in your estate planning, including a financial power of attorney.

What Is It?

A financial power of attorney gives a person you name — your agent — the power to make financial decisions for you. It's typically used if you become incapacitated and can't make these decisions for yourself. You generally have two options for when a power of attorney will take effect.

- Immediately. Your agent, often your spouse, can act on your behalf in financial matters even if you're not incapacitated. This may be an option if you're not always available to conduct financial transactions due to travel or other events that take you away from home.
- Tied to an event. Your agent can act only after a triggering event, such as becoming incapacitated and/or unable to communicate. Generally, one or more doctors must certify that you're physically or mentally unable to make decisions for yourself. A durable power of attorney generally remains in effect for the duration of your incapacity.

Establishing Limits

You can give your agent unlimited authority over your finances or to confine the agent's powers to specific tasks. Some tasks an agent can perform include investing, selling assets, collecting retirement benefits, paying bills, operating a business, logging into financial accounts, managing real estate, and buying insurance.

Naming an Agent

The person you designate must be over age 18, and the document must be signed in front of a notary. Many financial institutions require their own forms. Typically, a power of attorney ends when you die; you revoke the PoA; a court rules it invalid; or the agent is unable to fulfill the duties.

Make sure you avoid these common errors when designating a power of attorney: failing to name a successor agent, granting powers that are too broad, and failing to notify a prior agent if you appoint a new PoA.

We Value Your Input...

Your feedback is very important to us. If you have any questions about the subjects covered here, or suggestions for future issues, please don't hesitate to call. You'll find our number on the front of this newsletter. It's always a pleasure to hear from you.

FINRA

ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

March 21, 2023

Reference: **FR2023-0310-0154/E**
Link Reference : FR2022-1228-0080

Org Id: 23568

1. Let's Talk Money Newsletter - July/Aug 2023 Insurance
   Rule: FIN 2210

Our review is based on your representation that the final version of this communication will prominently disclose the name of the member, pursuant to FINRA Rule 2210(d)(3)(A).

The communication submitted appears consistent with applicable standards.

Reviewed by,

Jeffrey R. Salisbury
Principal Analyst

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